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C O N F I D E N T I A L ISTANBUL 001847

SIPDIS

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SUBJECT: ISTANBUL-YEREVAN FLIGHTS: TURKISH FIRM ENTERS THE FRAY

Classified By: Consul-General David Arnett for Reasons 1.5 (b&d)

1. (C) Summary: Absent an open border between Turkey and Armenia, twice-weekly flights between Istanbul and Yerevan since 1995 have provided some of the only direct contact between Turks and Armenians. Initially operated by the state-owned (and now bankrupt) Armenian Airlines, the rights were taken over last year by a private Russian company, Armavia. Following an agreement between the Turkish and Armenian Foreign Ministers, however, on October 16, a Turkish firm, Tower Aviation, initiated twice-weekly flights of its own. End Summary.

2. (SBU) Twice-weekly flights between Istanbul and Yerevan since 1995 represent the only direct links between Turkey and Armenia. According to Dikran Altun, a Turkish-Armenian who acted as Armenian Airlines' Istanbul representative for several years, 90 percent of the passengers are Armenian "suitcase traders" traveling to Istanbul to purchase goods for resale in Armenia. Only 10 to 15 tickets are sold on each flight to Turks (generally Turkish-Armenians, but occasionally Turkish businessmen). Although the Turkish government requires the airline to submit seasonal and monthly applications for the charter flights, Altun claims that there were never any real problems with securing the necessary approvals. It was always clear, however, that Turkish Civil Aviation authorities passed along applications to the Turkish Foreign Ministry for "political" approval. (Note: Altun neglected to mention the brief period when the flights were disrupted by the Turkish government's decision to stop issuing visas for Armenians at the Istanbul airport following the passage of an Armenian "genocide law" by the French parliament. End Note.)

3. (C) After two years of trying, Altun himself recently secured permission and initiated additional flights on October 16 along the same route under the auspices of his own firm, Tower Aviation. Altun told poloff that while a personal appeal to then-Foreign Minister Ismail Cem failed to secure the necessary political approval, an agreement reached between FMs Abdullah Gul and Vartan Oskanian earlier this year did the trick. Arsen Avegyan, the Armenian representative to the Black Sea Economic Cooperation forum, confirmed to poloff that the Foreign Ministers had specifically discussed this issue. Avegyan added that in the framework of seeking a gradual improvement in bilateral ties, the Armenian side is now interested in exploring the idea of allowing cargo flights between the two countries.

4. (SBU) Tower Aviation rents both its equipment and crews from another private Turkish firm, Fly Air (which also recently initiated the first domestic Turkish flights to compete with state-owned Turkish Airlines). Altun told poloff that he has minimal expectations regarding potential profits from this venture. His costs are about USD 19,000 per round-trip flight (USD 18,000 for the equipment and crew and approximately USD 1,000 for ticketing, sales, and marketing expenses). The capacity for each flight is 148 passengers and tickets are currently available for TL 270 million (USD 190). According to his calculations, Altun said that he needs to sell about 100 seats on each flight to break even. Since October (admittedly not the high season), Altun said that he has had only 60-70 passengers on each flight.

5. (SBU) Altun's biggest concern, however, stems from what he labeled "unfair competition" from Armavia. Altun claimed that Armavia is "trying to crowd him out" by pressuring travel agencies in Armenia not to sell his tickets. Because Armavia now controls most of the flights in and out of Armenia, Altun claims that travel agents are susceptible to such pressure. Armavia has also threatened to add a third weekly flight in order to undercut demand for Tower/Fly Air. If he continues to have problems, Altun said that he plans to petition the Turkish Civil Aviation authorities to cancel one of Armavia's twice-weekly flights. This would force Armenian passengers who do not want to spend a full week in Istanbul to use Altun's airline. Altun was confident that such pressure would immediately resolve his problems with Armavia.

16. (C) Embassy Comment: The Turkish MFA views the approval of these flights, NGO exchanges, and the proposed joint restoration of historic monuments as modest examples of improved Turkish-Armenian relations. They continue, however, to link the opening of the border and the restoration of full diplomatic relations to a Nagorno-Karabakh settlement (or at least to Armenian concessions towards such a settlement).
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